GOVERNMENT OF ANDHRA PRADESH
ABSTRACT

Industries & Commerce Department – Package of incentives for M/s. United Seamless Tubulaar Pvt. Ltd. (USTPL), M/s. Kamineni Steel & Power India Pvt. Ltd. (KSPIL), and M/s. Oil Country Tubular Limited (OCTL) for their proposed steel units being relocated to Kakinada SEZ in Kakinada, East Godavari District for manufacturing carbon & alloy steel, seamless pipes & tubes; steel billets; and tubular goods respectively–Orders- Issued.

INDUSTRIES&COMMERCE (POLICY &INVESTMENT) DEPARTMENT

G.O.MS.No. 173 Dated: 09-12-2016.

Read the following:-

1. G.O.Ms.No.36, Industries & Commerce (IP & INF) Dept., Dt: 29.04.2015.
2. Letter from M/s. United Seamless Tubulaar Pvt. Ltd., M/s. Kamineni Steel & Power India Pvt. Ltd., and M/s. Oil Country Tubular Limited, Dt:26.05.2016.
3. Email from M/s. United Seamless Tubulaar Pvt. Ltd., M/s. Kamineni Steel & Power India Pvt. Ltd., and M/s. Oil Country Tubular Limited, Dt: 21.04.2016.
4. Empowered Committee meeting held on 26.10.2016.
5. State Investment Promotion Board Meeting held on 28.10.2016.

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ORDER

The Industrial Development Policy 2015-20 of the Government of Andhra Pradesh issued in the G.O. 1st read above, seeks to attract investments to the tune of Rs. 2 lakh crore and create employment opportunities for an additional 10 lakh people by the end of 2020. In the G.O.1st read above, the Government of Andhra Pradesh accords top priority to industrial development to make Andhra Pradesh a progressive and highly industrialized state, a State that is a centre of technology and innovation and a joyous population confident of its bright future.

2. In this regard, the state of Andhra Pradesh wishes to encourage investors who are emotionally attached to the State and constantly making an effort to reconnect with their roots. A significant step forward in this initiative, the SIPB in the reference 5th read above approved the frame work for Relocation of Industries appended as Annexure to extend fiscal incentives for relocation of industries on a case to case basis to attract investors for setting up of new industries, relocation or expansion of business in Andhra Pradesh.

3. In the references 2nd and 3rd read above, M/s. United Seamless Tubulaar Pvt. Ltd. (investment – Rs. 900 Cr. , direct employment – 100 persons), M/s. Kamineni Steel & Power India Pvt. Ltd. (investment – Rs. 950 Cr., direct employment – 100 Persons), and M/s. Oil Country Tubular Limited (investment – Rs. 150 Cr., direct employment – 100 persons) proposed to relocate their steel units to Kakinada SEZ in Kakinada, East Godavari District (for manufacturing carbon & alloy steel, seamless pipes & tubes; steel billets; and tubular goods respectively) with the overall capital

(P.T.O)

investment of Rs. 2,000.00 crores, with potential to create employment to 300 people directly and approximately 800 people indirectly in a phased manner. The companies have requested for the following incentives:

(i) A dedicated 8 inch, schedule 40 gas pipeline to be laid from spectrum to the battery limit of KSEZ over a distance of 10 km and the cost for the entire underground pipeline would be around 1.5 cr/km totaling to Rs 15 Crores.

(ii) A dedicated 220 KVA substation required to meet the power load of all three units. The cost of 220 KVA substation would be in the range of Rs. 60 Crores and the requisite transmission line of about 30 km would have to be laid which would cost around Rs 1.8 cr./km. The total cost of substation as well as the transmission line would be Rs 114 Crore.

(iii) Request for a 60 ft access road to be provided by GMR SEZ and a 4-lane corridor connecting nearest port and NH (underway by ADB). To ensure smooth flow of traffic without conflicts the following would have to be incorporated in the road designs of ADB –

   a) Necessity to plan for a rotary interchange or any suitable cross over at about KM 17.400 to avoid conflict of traffic emanating from OCTL which would largely be Over Dimensional Cargo.
   b) During the planning of the 4 lane road the new Jammeru Bridge needs to have a clear height of 8m at high tide level as the deep sea barges that would transport the finished products fromUSTPL and KSPIL directly to the sea would have a width of 10 m and height of 6.5 m.

(iv) Relocation Subsidy for all three relocating units with M/s. United Seamless Tubular (P) Ltd. requesting Rs. 150 Crore, M/s. Kamineni Steel and Power India (P) Ltd requesting Rs. 150 Crore, and M/s. Oil and CountryTubular Ltd. requesting Rs. 150 Crore.

4. In the reference 4th read above, the Empowered Committee of Secretaries in its meeting dt:26.10.2016 has discussed the proposal of M/s. United Seamless Tubulaar Pvt. Ltd. (USTPL), M/s. Kamineni Steel & Power India Pvt. Ltd. (KSPIL), and M/s. Oil Country Tubular Limited (OCTL) and has recommended the following incentives:

(i) Empowered Committee recommended to work out a JV model with industries in the surrounding area on cost sharing basis for supply of gas to them.

(ii) Suggested to have cost sharing for construction of substation by Energy Department and GMR @ 50% each.

(iii) To incorporate the following changes in the ADB Corridor Project.

   (a) Rotary interchange or any suitable cross over at about KM 17.000
   (b) During the planning of the 4 lane road the new Jammeru Bridge needs to have a clear height of 8m at high tide level

(iv) In place of relocation subsidy, Empowered Committee suggested to consider the available incentives as per the existing Policy. Empowered Committee also noted that these units are 100% EoUs catering to Aerospace, Defence, Oil & Gas (Onshore and Offshore) sectors and VAT/CST benefit will not be useful to them. As being unique integrated projects, from scrap to automatic continuous casting including vacuum de-gaser, Empowered Committee recommended to place the issue before SIPB for taking a decision on power cost reimbursement as a special case, based on the financial implications, as VAT is not applicable to them

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5. In the reference 5th read above, the State Investment Promotion Board (SIPB) in its meeting dt:28.10.2016 has discussed the proposal of M/s. United Seamless Tubulaar Pvt. Ltd. (USTPL), M/s. Kamineni Steel & Power India Pvt. Ltd. (KSPIL), and M/s. Oil Country Tubular Limited (OCTL) and has recommended the following as a support package for the three relocating industries:

(i) To work out a JV model with industries in the surrounding area on cost sharing basis for laying gas pipeline for supply of gas to them.
(ii) 50% of the cost of the 220 KV Sub-station or the actuals, whichever is less will be borne by Government of Andhra Pradesh and rest the SEZ / Company has to bear.
(iii) Directed the Industries Department to incorporate the Project.

(a) Rotary interchange or any suitable cross over at about KM 17.000
(b) During the planning of the 4 lane road, the new Jammeru Bridge needs to have a clear height of 8m at high tide level.

(iv) Powercost reimbursement @ Rs.1.50 per unit for a period of 5 years, following changes in the proposed R & B roads in the ADB Corridor from the date of commencement of production, as an alternative to relocation subsidy, as VAT is not applicable to them being a 100% EOU and an unique integrated project, starting from scrap to automatic continuous casting including vacuum de-gaser, catering to Aerospace, Defence, Oil & Gas -Onshore and Offshore) sectors.
(v) The Companies to file a detailed representation with the APERC justifying the reasons for classifying the activities under taken by the Companies as Energy Intensive activities. Further, the Secretary, Energy has been requested to support the request of the Companies.

6. Government after careful consideration of the recommendations of the State Investment Promotion Board, hereby extend the following incentives to M/s. United Seamless Tubulaar Pvt. Ltd. (investment – Rs. 900 Cr. , direct employment – 100 persons), M/s. Kamineni Steel & Power India Pvt. Ltd. (investment –Rs .950 Cr. , direct employment – 100 persons), and M/s. Oil Country Tubular Limited (investment – Rs. 150 Cr., direct employment – 100 persons) for their proposed steel units being relocated to Kakinada SEZ in Kakinada, East Godavari District (for manufacturing carbon & alloy steel, seamless pipes & tubes; steel billets; and tubular goods respectively) with the overall capital investment of Rs. 2,000.00 crores, with potential to create employment to 300 people directly and approximately 800 people indirectly in a phased manner, , subject to fulfilling the conditions laid down in the relocation frame work as at annexure -A to this order :

(i) To work out a JV model with industries in the surrounding area on cost sharing basis for laying gas pipeline for supply of gas to them.
(ii) 50% of the cost of the 220 KV Sub-station or the actuals, whichever is less will be borne by GoAP and rest the SEZ / Company has to be borne.
(iii) Directed the Industries Department to incorporate the following changes in the proposed R & B roads in the ADB Corridor Project.
  a) Rotary interchange or any suitable cross over at about KM 17.000
  b) During the planning of the 4 lane road, the new Jammeru Bridge needs to have a clear height of 8m at high tide level.

(iv) Power cost reimbursement @ Rs.1.50 per unit for a period of 5 years, from the date of commencement of production, as an alternative to relocation subsidy, as VAT is not applicable to them being a 100% EOU and an unique integrated project, starting from scrap to automatic continuous casting including vacuum degaser, catering to Aerospace, Defence, Oil & Gas -Onshore and Offshore)sectors.

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7. The Companies have been directed to file a detailed representation with the Andhra Pradesh Electricity Regulatory Commission justifying the reasons for classifying the activities undertaken by the Companies as Energy Intensive activities. Further, the Principal Secretary, Energy has been requested to support the request of the Companies.

8. The Director of Industries, Andhra Pradesh / Energy Department, shall take necessary action, accordingly. The Director of Industries, Andhra Pradesh shall intimate the status of the progress of work done by the units from time to time to the Government.

(BY ORDER AND IN THE NAME OF THE GOVERNOR OF ANDHRA PRADESH)

SOLOMON AROKIARAJ
SECRETARY TO GOVERNMENT & CIP

To

The Principal Secretary to Government, Energy Department, A.P. Secretariat, Velagapudi.
The Director of Industries, Andhra Pradesh, Hyderabad.
M/s. United Seamless Tubulaar Pvt. Ltd. (USTPL), M/s. Kamineni Steel & Power India Pvt. Ltd. (KSPIL), and M/s. Oil Country Tubular Limited (OCTL),through the Director of Industries, Andhra Pradesh, Hyderabad.
Copy to:
The Finance (FMU- Rev.
IC)Department.
The Revenue (CT) Department.
The Revenue (Registration) Department.
The Law (H) Department.
The Accountant General, Andhra Pradesh.
The Commissioner of Commercial Taxes.
The Vice Chairman & Managing Director, APIIC.
The Collector& District Magistrate, East Godavari District.
The General Manager, District Industries Centre, East Godavari District.
The Zonal Manager, A.P.I.I.C., East Godavari District.
P.S. to Principal Secretary to Chief Minister.
P.S. to Chief Secretary to Government.
P.S. to Secretary to Government & CIP, Industries& Commerce Dept.
SC/SF.

// FORWARDED :: BY ORDER //

SECTION OFFICER

ANNEXURE A

(To G.O. Ms. No.173, Ind. & Com. (P&I) Dept., Dt: 09.12.2016)

Relocation Policy

Relocating frame work :

Eligibility Criteria –

1. Minimum investment of Rs.100 Crore or employment potential of 1,000.
2. The industry (machinery) proposed to be relocated should have further minimum life of 10 years, certified by a Licensed Engineer
3. Certificate of incorporation from Registrar of Companies (ROC)
4. Industry to submit a NoC from Bank/Financial Institution who have extended Term Loan/WC Loan to the industry.
5. Industrial Enterprise that availed incentives/concessions in other State should obtain NoC from the concerned agency

Generic Incentives –

1. 50% of External infrastructure viz. power, water & approach road limited to 5% of project cost (depreciated cost), whichever is less
2. 25% subsidy for specified items (viz. waste water treatment plant, installing CEMS, use of renewable energy source etc.) sustainable green measures on total fixed capital investment of the project (excluding cost of land, land development, preliminary & pre-operative expenses and consultancy fees) for green measures with ceiling of INR 50 crore.

Relocation Subsidy –

1. The SIPC/SIPB will decide the relocation subsidy on case to case basis, based on turnover, pioneering nature, locational aspects, project's importance to the state's industrial growth and its ability to generate large scale employment or revenue for the state